

#EO-322
RA

SURFACE TRANSPORTATION BOARD

Washington, DC 20423

Office of Economics, Environmental Analysis, and Administration

September 8, 2006

Ms. Chris Mitchell
County Commissioner
Medina County Precinct 1
275 CR 341
Hondo, TX 78861

Re: STB Finance Docket 34284, Southwest Gulf Railroad
Company Construction and Operation Exemption – Medina
County, TX

Dear Ms. Mitchell:

Thank you for your letter dated May 30, 2006, to Ms. Rini Ghosh of my staff, which we received on June 27, 2006. In your letter you outline several concerns regarding Vulcan Construction Materials, LP's (VCM) proposed quarry development and Southwest Gulf Railroad Company's (SGR) proposed rail line construction and operation in Medina County, Texas. As you discussed in a follow-up telephone conversation with Ms. Ghosh on August 23, 2006, your primary concerns regarding SGR's proposed rail line construction continue to be potential safety impacts at at-grade crossings, potential traffic and transportation impacts to area roadways, and potential impacts to the floodplain, which you have expressed in previous letters. Below, I have summarized the environmental review conducted to date, as well as set forth the following steps that must still be completed.

The Surface Transportation Board's (Board) Section of Environmental Analysis (SEA) issued a Draft Environmental Impact Statement (DEIS) in this proceeding for public review and comment on November 5, 2004. The DEIS evaluated the potential environmental impacts that could result from SGR's proposed rail line construction and operation, three alternative rail alignments, and the No-Action Alternative (which SEA defined as the use of trucks to transport limestone from VCM's quarry to the UP rail line, based on SGR's statements that VCM would transport the material by truck if SGR's rail line were not built (in this situation, no authority or involvement would be required from the Board)).

Based on the comments received on the DEIS, SEA decided to prepare a concise Supplemental Draft EIS (SDEIS) that focuses on three specific matters: (1) evaluation of three alternative rail routes that were not studied in the detail in the DEIS and a comparison of these three alternative routes to the alternatives previously studied in the DEIS; (2) a discussion of the progress of additional historic property identification

efforts; and (3) the additional noise analysis that SEA will perform, based on updated operational data (that trains may operate during nighttime hours) provided by SGR.

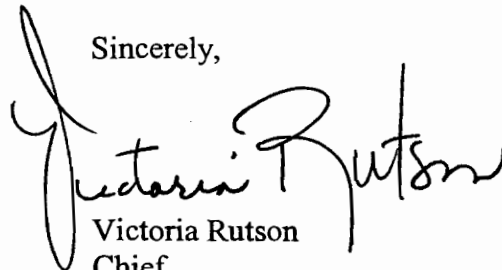
Upon its completion, the SDEIS will be made available for public and agency review and comment for at least 45 days. After the close of the comment period on the SDEIS, SEA will review all timely-submitted comments. Then SEA will issue a Final EIS (FEIS) that responds to comments on the DEIS (including your comments regarding safety, traffic, and flooding) and the SDEIS, discusses any additional analysis, and presents SEA's final recommendations to the Board, including any mitigation measures. After issuance of the FEIS, the environmental review process will be completed.

The Board then will issue a final decision in this rail line construction and operation proceeding. In reaching a final decision either to approve SGR's proposal, to deny SGR's proposal, or to approve SGR's proposal with conditions, the Board will take into consideration the DEIS, the SDEIS, the FEIS, and all environmental comments that are received. Should the Board decide to impose mitigation conditions upon SGR's rail line construction and operation, which may include mitigation conditions requested by local entities, SGR would be legally required to comply with those conditions.

During the environmental review process, railroads may enter into privately negotiated agreements with affected communities and other entities. Consistent with its overall preference for private-sector resolution in place of governmentally-mandated solutions, the Board encourages mutually satisfactory agreements of this nature because they can be extremely effective in addressing specific local and regional environmental and safety concerns. Therefore, when such agreements are submitted to it, the Board generally will impose these negotiated agreements as conditions to approved constructions, and these agreements generally will substitute for specific local or site-specific environmental mitigation for a community that otherwise would be imposed.

If you need additional information or would like to discuss this matter further, please do not hesitate to contact me or Rini Ghosh of my staff at (202) 565-1539.

Sincerely,

A handwritten signature in black ink, appearing to read "Victoria Rutson". The signature is fluid and cursive, with a large initial "V" and "R".

Victoria Rutson
Chief

Section of Environmental Analysis